

EXPORT-IMPORT BANK of the UNITED STATES
EXPORT CREDIT INSURANCE PROGRAM
FACT SHEET: ASSIGNMENT OF POLICY PROCEEDS

One of the advantages of holding an Ex-Im Bank export credit insurance policy is the exporter's ability to obtain preferential financing. Foreign receivables insured by the U.S. Government against risks of default are more attractive than uninsured receivables to financing institutions that may purchase or use such receivables as collateral for lending to the exporter. Typically, a bank involved in financing an insured exporter is assigned the proceeds of the insurance policy. Amounts payable under the policy may be assigned with the consent of Ex-Im Bank. Assignees are generally limited to financial institutions but may include local development authorities with financing programs to assist exporters. Ex-Im Bank allows assignments of policy proceeds for all policies held by non-bank insureds.

I. Regular Assignments of Policy Proceeds

An assignment is made by submitting the appropriate assignment form to Ex-Im Bank. Multiple copies of the forms must be completed with original signatures by the insured, the assignee and, in the case of the Umbrella Policy, the administrator of the policy. Ex-Im Bank then executes the assignment and returns copies with original signatures to all involved parties. Ex-Im Bank will not execute a new assignment when there is a current assignee under a policy unless Ex-Im Bank receives a release from the current assignee. In certain circumstances Ex-Im Bank may allow multiple assignees. Upon assignment of policy proceeds, the insured does not abrogate responsibility for complying with the policy conditions. The insured remains the contracting party and Ex-Im Bank looks to the insured for policy compliance. For example, the policy requires, among other things, that the insured take certain steps prior to filing a claim and the insured must complete a claim form within the filing period. If the insured is unable or unwilling to fulfill these obligations, or any other obligations under the Policy, claim payment may be jeopardized. The claim payment check is typically made out to both the insured and the assignee.

Because the assignee's primary protection rests with the capability of the insured exporter, it is important that the assignee know the insured with whom it is dealing, as well as the policy's terms and conditions, including percentages of cover, foreign buyer credit limits and any special conditions of the policy.

To apply for a regular assignment, use one of the following forms:

1. EIB-92-31 Notification by Insured of Amounts Payable under Multi-Buyer Policy is used with the Short-Term Comprehensive Multi-Buyer Deductible Policy and with small business type policies when the exporter does not qualify for an "Enhanced" assignment.
2. EIB-92-32 Notification by Insured of Amounts Payable under Single-Buyer Policy is used for short-term single-buyer type policies.

II. Enhanced Assignment of Policy Proceeds

Ex-Im Bank offers an "Enhanced Assignment of Policy Proceeds" to qualified small business exporters under the Small Business, Small Business Environmental, Small Business Y2K, Umbrella, or Short Term Single Buyer Policies. To be considered, businesses must meet the U.S. Small Business Administration's definition of "small" and (together with any parent, subsidiaries or affiliates) have had average annual export credit sales (excluding letters of credit and cash in advance) of less than \$3 million over the two years prior to application. Ex-Im Bank's decision to grant an Enhanced Assignment is itself a credit decision governed in large part by the Bank's Short-Term Credit Standards (EIB99-09)- Exporter Qualification Standards for an Enhanced Assignment.

Under an Enhanced Assignment, Ex-Im Bank agrees to pay valid claims to the assignee notwithstanding provisions of the policy that would otherwise provide the basis for denial of the claim to the insured. In other words, the Enhanced Assignment indemnifies the assignee for the exporter's performance risk. In the event a claim is paid to the assignee that would otherwise have been denied to the insured, Ex-Im Bank will proceed against the insured to collect the amount of the

claim. Claim payments to the assignee include the insured percentage of the financed amount in default plus the insured percentage of the interest in default calculated at the lender's rate of interest. Ex-Im Bank will not make claim payments against financed receivables that are: i) funded by an Ex-Im Bank or U.S. SBA working capital guarantee, or ii) represent invoices which are entirely services. Ex-Im Bank also excludes amounts financed in excess of the applicable discretionary credit limit, special buyer credit limits and policy aggregate limit of liability.

The assignee must obtain copies of certain documents from the insured relating to the receivable that collectively evidence an insured transaction, such as: the written purchase order, the invoice and a bill of lading. The assignee also agrees to inform Ex-Im Bank of certain adverse information it might learn about the insured and/or buyer(s). Under these types of assignments, the assignee is given the right to file a claim in place of an insured under certain circumstances. However, as with the other types of assignments, the notice of claim, supporting documents, and timeliness of submission must conform to the requirements of the policy and assignment.

The following assignment forms contain the "Enhanced Assignment" agreement. Ex-Im Bank, the insured, the assignee and, if any, the administrator of an Umbrella Policy, must execute these forms.

1. EIB-92-53 Assignment for the Small Business, Small Business Environmental and Small Business Y2K Policies is designed for small businesses with limited export experience.
2. EIB-92-75 Assignment for the Umbrella Policy is designed for the same type of exporters as the Small Business Policy but who also need the assistance of an administrator in conforming to the policy.
3. EIB99-17 Enhanced Assignment of Policy Proceeds for the Short Term Single Buyer Policy for Exporters is designed for qualified small business exporters insuring sales to a single buyer. Such sales may involve single or multiple shipments or repetitive sales over a period of up to 12 months.

III. Medium Term Documentary Assignments

Under Ex-Im Bank's Medium-Term Insurance Program, an insured may, with Ex-Im Bank's consent, assign a policy to a financial institution. Under the medium-term program, the assignee financial institution acquires all the rights of the insured. The assignee's duties are limited to obtaining requisite documents evidencing an insured transaction, such as the promissory note and an exporter's certificate. Thus, medium-term assignments are called "documentary assignments", meaning that the assignee bank need only present conforming documents to file a successful claim.

The documentary assignment is accomplished through a Financial Institution Assignment Endorsement {M0170(2)} to the policy and submission of form: EIB-94-08 Notification and Assignment by Insured to Financial Institution of Medium Term Export Credit Insurance Policy to Ex-Im Bank for execution.

WHO TO CONTACT:

For more information, contact or ask your insurance agent or broker to contact:

EXPORT-IMPORT BANK OF THE U.S.. INSURANCE DIVISION, 811 VERMONT AVE., NW, WASHINGTON, DC 20571

Tel. No. (202/565-3630) or 1-800-565-EXIM, Fax. No. (202/565-3675), Internet <http://www.exim.gov>

Or call one of the regional offices in the: MidAtlantic-Washington, DC (202) 565-3940; Midwest-Chicago (312) 353-8081; Northeast-New York (212) 466-2950; Southeast-Miami (305) 526-7425; Southwest-Houston (281) 721-0465 and West-Los Angeles (562) 980-4580, Orange County (949) 660-1688 ext 150, San Jose (408) 271-7300 ext 104.

This is not a solicitation by the Export-Import Bank of the U.S. or its employees. It is a descriptive summary only. The complete terms and conditions of the policies and assignment agreements are set forth in the policies, applications, endorsements and assignment agreements.